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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2011 AUG 16 A 10:03

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED
THEREON FOR UTILITY SERVICE BY ITS
ANTHEM WATER DISTRICT AND ITS
SUN CITY WATER DISTRICT, AND
POSSIBLE RATE CONSOLIDATION FOR
ALL OF ARIZONA-AMERICAN WATER
COMPANY'S DISTRICTS.

Docket No. W-01303A-09-0343

Arizona Corporation Commission
DOCKETED

AUG 16 2011

DOCKETED BY

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OF ARIZONA-AMERICAN WATER
COMPANY, AN ARIZONA
CORPORATION, FOR A
DETERMINATION OF THE CURRENT
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PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED
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ANTHEM/AGUA FRIA WASTEWATER
DISTRICT AND ITS SUN CITY WEST
WASTEWATER DISTRICT, AND
POSSIBLE RATE CONSOLIDATION FOR
ALL OF ARIZONA-AMERICAN WATER
COMPANY'S DISTRICTS.

Docket No. SW-01303A-09-0343

**TESTIMONY PRESENTED ON
BEHALF OF THE RUSSELL
RANCH HOMEOWNERS'
ASSOCIATION, INC.'S
INTERVENTION**

On January 6, 2011, the Commission issued Decision No. 72047 in the above captioned
docket which approved an overall rate increase of 53.98% for customers in the
Anthem/Agua Fria Wastewater District. The Decision also allowed Arizona-American

1 Water Company ("Arizona-American") to file an application for the consideration of
2 deconsolidating the existing Anthem/Agua Fria Wastewater District into stand-alone
3 districts of the Anthem Wastewater and the Agua Fria Wastewater Districts.
4

5 On April 1, 2011, Arizona-American filed the application in support of the
6 deconsolidation of the existing Anthem/Agua Fria Wastewater District, which included
7 separate Revenue Requirements and separate Rate Designs for the possible new Anthem
8 Wastewater and Agua Fria Wastewater Districts as stand-alone districts. If approved by
9 the Commission, the stand-alone Rate Increase for the new Anthem Wastewater District
10 would alternatively be 15.5%, and 139.7% for the new Agua Fria Wastewater District.
11

12 On June 24, 2011, the Russell Ranch Homeowners' Association, Inc. ("Russell Ranch
13 HOA") filed a Motion to Intervene. Russell Ranch HOA is an Arizona non-profit
14 corporation. Attached to the June 24, 2011, Motion was a copy of a June, 20, 2011,
15 Russell Ranch HOA Board of Directors Resolution authorizing its President, Pauline A.
16 Harris Henry, to represent it in this proceeding.
17

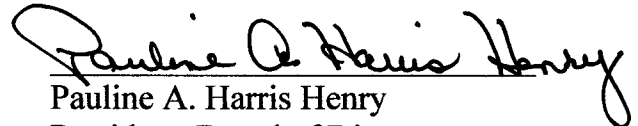
18 On June 30, 2011, pursuant to Arizona Supreme Court Rule 31(d)(28), the Commission's
19 Administrative Law Judge ordered that Pauline A. Harris Henry was authorized to
20 represent the Russell Ranch HOA before the Commission in this proceeding.
21

22 On behalf of the Russell Ranch HOA, Pauline A. Harris Henry respectfully submits the
23 attached Testimony of Daniel O'Connor in opposition to the overall rate increase of
24 53.98% approved by the Commission's Decision No. 72047, on January 6, 2011, and also
25 in opposition of the proposed deconsolidation, by Arizona-American, of the existing
26

1 Anthem/Agua Fria Wastewater Districts into separate stand-alone districts that would
2 project a rate increase of 139.7% to the homeowners of the Russell Ranch.

3
4 DATED this 16 day of August 2011.

5
6 RUSSELL RANCH HOMEOWNERS'
7 ASSOCIATION, INC.

8 

9 Pauline A. Harris Henry
10 President, Board of Directors
11 Russell Ranch Homeowners' Assoc., Inc.
12 21448 N. 75th Avenue, Suite 6
13 Glendale, AZ 85308

14 **CERTIFICATE OF SERVICE**

15 ORIGINAL and 13 copies filed this
16 16th day of August 2011 with:

17 Docket Control
18 Arizona Corporation Commission
19 1200 W. Washington Street
20 Phoenix, AZ 85007

21 COPIES of the foregoing mailed this
22 16th day of August 2011 to:

23 Craig A. Marks, Esq.
24 Craig A. Marks, PLC
25 10645 N. Tatum Blvd., Suite 200-676
26 Phoenix, AZ 85028
Attorney for Arizona-American Water Co.

Judith Dworkin, Esq.
Roxanne S. Gallagher, Esq.
Sacks & Tierney, PA
4250 N. Drinkwater Blvd., Fourth Floor
Scottsdale, AZ 85251-3693
Attorneys for Anthem Community Council

Lawrence V. Robertson, Jr., Esq.
P.O. Box 1448
Tubac, AZ 85646-1448
Attorneys for Anthem Community Council

1 Daniel W. Pozefsky, Chief Counsel
Residential Utility Consumer Office
2 1110 W. Washington St., Suite 220
Phoenix, AZ 85007
3
4 Larry Woods, President
Property Owners and Residents Association
13815 East Camino del Sol
5 Sun City West, AZ 85375-4409
6
7 W.R. Hansen
12303 W. Swallow Drive
Sun City West, AZ 85375
8
9 Greg Patterson, Esq.
916 W. Adams Street, Suite 3
Phoenix, AZ 85007
Attorney for Water Utility Association of Arizona
10
11 Jeff Crockett, Esq.
Robert Metli, Esq.
Snell & Wilmer
12 One Arizona Center
400 E. Van Buren Street
13 Phoenix, AZ 85004-2202
Attorneys for the Resorts
14
15 Andrew M. Miller, Esq.
6401 E. Lincoln Drive
Paradise Valley, AZ 85253
16 Attorney for the Town of Paradise, Arizona
17
18 Bradley J. Herrema, Esq.
Robert J. Saperstein, Esq.
Brownstein Hyatt Farber Schreck, LLP
21 E. Carrillo Street
19 Santa Barbara, CA 83101
Attorneys for Anthem Golf and Country Club
20
21 Marshall Magruder
P.O. Box 1267
Tubac, AZ 85646
22
23 Norman D. James, Esq.
Fennemore Craig, P.C.
3003 N. Central Ave., Suite 2600
24 Phoenix, AZ 85012
Attorneys for DMB White Tank, LLC
25
26

- 1 Larry D. Woods
15141 W. Horseman Lane
2 Sun City West, AZ 85375
- 3 Joan S. Burke, Esq.
Law Office of Joan S. Burke
4 1650 N. First Ave.
Phoenix, AZ 85003
5 Attorney for Corte Bella Golf Club
- 6 Philip H. Cook
10122 W. Signal Butte Circle
7 Sun City, AZ 85373
- 8 Michele Van Quathem, Esq.
Riley Carlock & Applewhite
9 One N. Central Ave., Suite 1200
Phoenix, AZ 85004-4417
10 Attorneys for Verrado Community Association, Inc.
- 11 Steve Olea, Director
Utilities Division
12 Arizona Corporation Commission
1200 W. Washington Street
13 Phoenix, AZ 85007-2927
- 14 Janice Alward, Chief Counsel
Legal Division
15 Arizona Corporation Commission
1200 W. Washington Street
16 Phoenix, AZ 85007-2927
- 17 Frederick G. Botha
23024 N. Giovota Drive
18 Sun City West, AZ 85375
- 19 Maureen Scott
Robin Mitchell
20 Arizona Corporation Commission,
Legal Division
21 1200 W. Washington St.
Phoenix, AZ 85007
- 22 Desi Howe
23 Anthem Golf & Country Club
2708 W. anthem Club Drive
24 Anthem, AZ 85086
- 25 Chad Kaffer, Esq.
Troy Stratman, Esq.
26 Mack Drucker & Watson, PLC
3200 N. Central Ave., Suite 1200

1 Phoenix, AZ 85012
Attorneys for Corte Bella

2 Pauline Harris Henry
21448 N. 75th Street
3 Glendale, AZ 85308
4 President, Russell Ranch Homeowners Association, Inc.

5 By: 
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GARY PIERCE, Chairman
BOB STUMP
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PAUL NEWMAN
BRENDA BURNS

Docket No. SW-01303A-09-0343

DIRECT TESTIMONY
OF
DANIEL O'CONNOR
ON BEHALF OF THE
RUSSELL RANCH HOMEOWNER'S ASSOCIATION, INC.
AUGUST 16, 2011

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME, ADDRESS, AND TELEPHONE NUMBER.**

3 A. Daniel A. O'Connor, 5606 North 180th Lane., Litchfield Park, AZ 85340, 623-
4 297-0263

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

6 A. No. However, I submitted the same written Direct Testimony for Mr. John Luke,
7 who also filed a Motion to Intervene on this same issue, addressed by Docket No.
8 SW-01303A-09-0343.

9 **Q. ARE YOU A HOMEOWNER IN RUSSELL RANCH?**

10 A. Yes.

11 **Q. ARE YOU A BOARD MEMBER OF THE RUSSELL RANCH HOA?**

12 A. No.

13 **Q. WERE YOU AWARE THAT RUSSELL RANCH WAS LOCATED IN THE**
14 **AGUA FRIA WASTEWATER DISTRICT?**

15 A. No, I was not and all Russell Ranch homeowner that I had spoken too, with the
16 exception of the gentleman who alerted me to the issue were also unaware that this
17 issue affected them.

18 **II. SCOPY AND PURPOSE OF TESTIMONY**

19 **Q. WHAT IS YOUR INVOLVEMENT WITH RUSSELL RANCH?**

20 A. I was the real estate developer for Russell Ranch. My partner, John R. Luke, and I
21 purchased the land for Russell Ranch Phases 1 – 6. We hired the project design
22 engineers, obtained the zoning and entitlements from Maricopa County,
23 supervised the improvements and sold the developed lots for custom home
24 construction.
25

My partner and I were also responsible for building the Russell Ranch Wastewater Treatment Facility. We obtained the approvals from Maricopa County, hired the contractor, while interfacing with Citizens Utility, the predecessor of Arizona-American Water Company. We turned over the facility to them upon completion.

Q. WHY DID YOU CONSTRUCT THE WASTEWATER TREATMENT FACILITY FOR RUSSELL RANCH?

A. At the time we began development of Russell Ranch, there were no wastewater treatment facilities or sewer line service in that area of the valley. All housing located north of Interstate 10 to the Town of Surprise, and between the White Tank Mountains and Highway 303 were on septic tanks. To meet the needs of Russell Ranch, Maricopa County required us to erect a self-contained wastewater treatment facility sized to service approximately 525 homes. The facility is state of the art, purifying the facility's effluent for ground water recharge. In fact, I understand that Arizona-American receives water credits for the quality of its effluent discharge.

Q. HOW MANY LOTS COMPOSE RUSSELL RANCH AND HOW MANY HOMES ARE ERRECTED?

A. Russell Ranch was originally planned for six Phases, currently only Phases 1, 2 & 3 were developed. The table below illustrates the breakdown of the number of lots per Phase and the total number of houses erected in each Phase.

<u>PHASE NUMBER</u>	<u>LOT NUMBER</u>	<u>HOMES ERRECTED</u>
1	104	101
2	103	87
3	114	23
<u>TOTAL</u>	321	211

1 Additionally, Phase 4, 5 & 6 would have contained 80, 25 and 110 lots,
2 respectively. However, those homes planned for Phase 6 would not have used the
3 Russell Ranch wastewater treatment facility, thus leaving a total of 426 homes
4 scheduled to be serviced by that facility, which would have been approximately
5 81% of its designed capacity.

6 **Q. WHAT WAS THE PLAN FOR RUSSELL RANCH PHASE 6, IF IT WAS**
7 **NOT TO BE TIED INTO THE RUSSELL RANCH WASTEWATER**
8 **TREATMENT FACILITY?**

9 A. During the planning stages of Phase 6, development of new subdivisions west of
10 Russell Ranch, up to Jackrabbit Road, warranted a need for a larger scale sewer
11 service. Maricopa County required the installation of a 12 inch sewer line which
12 ran along Camelback Road from Jackrabbit Road to the Liberty Water sewage
13 treatment facility, located at the corner of 135th Avenue & McDowell Road.
14 Maricopa County required Phase 6 of Russell Ranch to be tied into that sewer line
15 and receive wastewater service from Liberty Water.

16 **Q. IF THAT WAS ARIZONA-AMERICAN'S SERVICE AREA, WHY DIDN'T**
17 **THEY PROVIDE THE SEWAGE NEEDS FOR THE NEW HOUSING**
18 **GROWTH?**

19 A. I don't know.

20 **Q. HOW DID ARIZONA-AMERICAN ACQUIRE THE RUSSELL RANCH**
21 **WASTEWATER TREATMENT FACILITY?**

22 A. As previously indicated, the development of Russell Ranch required the erection
23 of the wastewater treatment facility. Since Citizens Utility, predecessor to
24 Arizona-American, had the rights to that service area, Maricopa County required
25 us to turn the operations over to them. So, in the year 2002, upon completion of

1 the facility, we turned the wastewater treatment facility over as a turnkey
2 operation to Citizens Utility for the purpose of operating the facility.

3 **Q. WHO PAID FOR THE WASTEWATER TREATMENT FACILITY?**

4 A. My partner, John R. Luke, and I paid approximately \$1,000,000 to construct the
5 facility. In addition, we provided three 1-acre lots for the placement of the facility
6 and percolation fields. The value of the lots, at the time, was \$750,000, \$250,000
7 per lot.

8 **Q. HAVE YOU RECEIVED ANY RE-IMBURSEMENT FOR YOUR**
9 **EXPENDITURES OF THE WASTEWATER TREATMENT FACILITY?**

10 A. We have not received any re-imbursement from Arizona-American. The facility
11 was given as a turnkey operation. However, my partner and I have received some
12 re-imbursement from the Russell Ranch residents in the form of a Sewer
13 Development Fee. Per Section 5.8 of the Russell Ranch Covenants, Conditions
14 and Restrictions (CC&Rs), a \$2750.00 Sewer Development Fee is assessed each
15 lot at the time the residential construction permits are drawn. This fee is then
16 given back to my partner and I to offset the costs associated with installing the
17 residential water and wastewater infrastructure and the wastewater treatment
18 facility.

19 **Q. SINCE THE WASTEWATER TREATMENT FACILITY WAS GIVEN TO**
20 **ARIZONA-AMERICAN AS A NO COST TURNKEY FACILITY, WAS**
21 **THERE ANY CONSIDERATION GIVEN TO HOLDING DOWN THE**
22 **SEWAGE SERVICE COSTS FOR THE RESIDENTS OF RUSSELL**
23 **RANCH?**

24 A. Yes, the representatives of Citizens Utility implied, at the time we turned over the
25 facility, that the sewage treatment cost per household should not exceed \$30.00

1 per month. However, the current sewer service fee for each household is \$75.00
2 per month.

3 **III. CLOSING**

4 **Q. IS THERE ANYTHING YOU WOULD LIKE TO ADD?**

5 A. The "Agua Fria Wastewater CC&N Areas" are delineated in Green within the
6 attached Exhibit SLM-1. It seems inappropriate that Russell Ranch would be
7 included in this service area being its location, size and the fact that the sewage
8 treatment infrastructure was provided and paid for by the developer and residents
9 of Russell Ranch, with no capital expenses accrued by Arizona-American. The
10 facility is practically self sufficient and does not warrant the elevated sewer
11 service fee currently imposed on the residents of Russell Ranch, not to mention the
12 exorbitant 139. 7% rate increase that Arizona-American would like to impose.
13 Additionally, the Russell Ranch wastewater treatment facility was built as an
14 interim measure until the expansion of development in the area would bring in
15 common regional wastewater service. Liberty Water, rather than Arizona-
16 American has provided that common service.
17 By rights, the Russell Ranch developers should not have been required by
18 Maricopa County to turn the facility over to Citizen Utility. Russell Ranch should
19 have been able to maintain ownership and control, and allowed to contract out the
20 operation and maintenance of the wastewater treatment facility.

21 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

22 A. Yes.
23
24
25

Exhibit SLM-1

Map

Agua Fria Wastewater CC&N Areas

